

Message Text

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42

ACTION ARA-20

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UNCLAS BOGOTA 8704

E.O. 11652: NA

TAGS: EFIN EMRG CO

SUBJECT: GOC DECREES NEW INCOME TAX LAW

REF BOGOTA 8493

1. AS PART OF ITS TAX REFORM PACKAGE UNDER RECENTLY-
DECREED EMERGENCY ECONOMIC POWERS, THE GOC HAS ANNOUNCED
COMPLETE REVISION OF INCOME TAX LAW. TEXT OF 150-PAGE
DECREE IS NOT YET AVAILABLE BUT BASIC PROVISION OUTLINED
BY GOVERNMENT SPOKESMEN INDICATE THAT EMPHASIS IS ON SIMPLIFICATION,
PROGRESSIVITY OF RATES, AND STEPS TO PREVENT BOTH AVOIDANCE
AND EVASION OF TAXES.

2. RATES FOR BOTH WEALTH AND INCOME TAX CALCULATIONS
ARE SUBSTANTIALLY MORE PROGRESSIVE UNDER NEW MEASURE.
EXEMPTIONS HAVE BEEN REDUCED BUT A FAMILY WITH ANNUAL
INCOME OF UP TO ABOUT 200,000 PESOS(US 7,500) WILL
APPARENTLY HAVE LESS OF A TAX BURDEN THAN BEFORE. A
PRESUMPTIVE INCOME OF 8 PERCENT ON TOTAL WEALTH HAS BEEN
ESTABLISHED AND CAPITAL GAINS TAXES INCREASED. NO SIGNIFICANT
CHANGES HAVE BEEN MADE IN THE TAX TREATMENT OF FOREIGN
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FIRMS EXCEPT THAT CORPORATE TAXES IN GENERAL MAY BE SLIGHTLY

REDUCED. PROCEDURES FOR COLLECTION OF TAXES FROM INHERITANCE AND FROM CLOSED FAMILY INCOME WILL APPARENTLY BE GREATLY STRENGTHENED. PREVIOUSLY TAX-EXEMPT FINANCIAL INSTRUMENTS SUCH AS ECONOMIC DEVELOPMENT BONDS, CENTRAL MORTGAGE BANK BONDS, AND SAVINGS AND LOAN DEPOSITS WILL BE TAXED ALTHOUGH THE INTEREST RATE WILL BE INCREASED FOR THE FIRST TWO AND A PREFERENTIAL PREFERENTIAL TAX RATE SET FOR THE LATTER. DELINQUENT TAXPAYERS WILL BE GIVEN ONE YEAR TO SETTLE ACCOUNTS.

3. NATIONAL DIRECTOR OF TAXES HAS SUGGESTED THAT NW MEASURE MAY RESULT IN INCREASE OF 2 BILLION PESOS IN DIRECT TAXES FOR 1975. FULL EVALUATION, HOWEVER, MUST AWAIT DETAILED STUDY OF COMPLETE TEXT. EMBASSYS INITIAL IMPRESSION IS THAT IN ADDITION TO RELIEVING SOMEWHAT TAX BURDEN FOR LOWER INCOME GROUPS, PRESUMPTIVE INCOME PREVISION AND ANTI-EVASION MECHANISMS SHOULD OFFER SUBSTANTIAL INCREASE IN REVENUES.
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